Form ADV Part 2A: Firm Brochure

September 28, 2017

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BlueCrest Capital Management Limited is an investment adviser that is registered with the United States Securities and Exchange Commission. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of BlueCrest Capital Management Limited. If you have any questions about the contents of this brochure, please contact us at +44 1534 84 3800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BlueCrest Capital Management Limited also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This is an interim update of our brochure. Since our last brochure in August 1, 2017, we have updated Item 7 to remove BlueCrest Capital Management (New York) LP, BlueCrest Capital Management (Boston) LP, and BlueCrest Capital Management (UK) LLP as relying advisers.

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1. Advisory Business

BlueCrest Capital Management Limited is an investment advisory services firm specializing in investment management for hedge funds.

The ultimate principal owner of our firm is Michael Platt.

Messrs. William Reeves and Michael Platt founded a predecessor of our firm, BlueCrest Capital Management L.P., in 2000, which BlueCrest Capital Management LLP replaced as a successor in 2008. BlueCrest Capital Management Limited, a Jersey limited company acting solely in its capacity as general partner of BlueCrest Capital Management LP, succeeded BlueCrest Capital Management LLP in 2014. Throughout these changes to the corporate group, our business remained the same. However, in December 2015, we made the decision to return all capital to third party investors and to become a private investment partnership focusing solely on the management of the assets of our partners and employees. As of January 4, 2016, all third party investors have been redeemed or withdrawn from our clients, and we are currently in the process of winding up and liquidating the assets of most of these clients. Certain other clients have appointed liquidators and accordingly are no longer clients of our firm.

We specialize in a wide range of global investment strategies in both the stock and bond markets. Our teams advise clients on numerous investment strategies, including:

- mixed arbitrage trading (including credit, volatility and capital structure arbitrage), or taking advantage of price differences in various investments in different markets,
- global stock and bond trading,
- fundamental equity strategies,
- quantitative strategies, and
- relative value strategies.

For more information on the investment strategy of each of our clients, please see Item 5: Method of Analysis, Investment Strategy and Risk of Loss.

Our firm tailors advisory services in accordance with each client's needs and investment strategy as disclosed in its offering document. Our advisors adhere to the investment strategy and restrictions set forth in each client's offering document. Restrictions on the types of securities in which we invest for our clients vary from client to client as disclosed in the client's governing documents.

We do not participate in wrap fee programs.

As of June 30, 2017, the amount of client assets that we manage on a discretionary basis is $3.55 billion and we do not manage any client assets on a non-discretionary basis. As noted above, we are liquidating assets from most of our clients as of January 4, 2016 and these figures, as well as the information in our Form ADV Part 1A, are continuing to change.

2. Fees and Compensation

We have intentionally omitted the full section on compensation for advisory services, as our firm is an SEC registered adviser and this brochure is being delivered only to "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

The fees and expenses associated with an investment in our clients vary and are described in their governing documents and offering documents, as applicable. The following is a general description of the fees and expenses paid by our clients.

All compensation described below is deducted automatically from our clients' accounts pursuant to their governing documents. A third-party administrator generally polices and controls this process. Our clients typically pay management fees monthly in arrears.

Certain of our clients pay management fees, and the management fees are calculated as a percentage of the net asset value of a client's assets. However, with respect to our clients that began the liquidation process last year, we do not charge any management fees as of January 4, 2016.

We also charge performance-based compensation to our clients. Depending on the client, we assess these charges in arrears either at the end of each calendar quarter, the middle of each calendar year and/or the end of each calendar year.

Our clients do not pay any asset-based management fees or performance-based compensation in advance. Investors in our clients indirectly bear their pro rata share of the management fees and performance fees or allocations. If an investor withdraws or redeems from a client before the end of a payment period, it will indirectly be charged the performance compensation and the management fees at the time of its withdrawal or redemption on the withdrawn or redeemed amount.

In connection with our advisory services, our clients bear all of their own expenses (ordinary and extraordinary). The lists below are detailed but do not include every possible expense a client may incur.

Organizational Expenses

Our clients pay for expenses related to their organization, including:

- legal expenses,
- accounting expenses,
- filing expenses and fees incurred in connection with organizing and establishing the client, and
- expenses and fees incurred in connection with offering of interests in the client and its affiliates (including travel expenses, and printing costs or other similar amounts, incurred in connection with the offering of interests in a client).

Operational Expenses

Our clients also pay for expenses related to their operation, such as:

- expenses of any administrators, custodians, counsel, consultants and accountants (including the audit and certification fees and costs of printing and distributing reports to the client's investors),
- costs, fees and expenses paid by us or our affiliates on behalf of the client for research, operational, administrative, technological, advisory and other services,
- fees and expenses of any independent directors,
- interest, borrowing and leverage expenses,
- insurance expense for affiliates of the client,
- litigation, indemnification and other extraordinary expenses,
- all taxes and corporate fees payable to governments or agencies, and
- communication expenses for investor services and sending documents to investors.

Our clients also pay for expenses and costs related to their winding up and liquidation.

We allocate the expenses to the clients that incur them, and if multiple clients incur expenses in the same transaction, we allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

Investment-Related Expenses

Our clients pay for all of their own investment expenses, including all transaction costs, brokerage commissions and any issue or transfer taxes for any securities transaction.

In addition, some of our clients that invest in other hedge funds managed by our firm or our affiliates incur expenses in connection with these investments, such as

- performance fees or allocations relating to underlying fund managers, and
- expenses relating to the underlying hedge funds investment program and operations.

We allocate the expenses to the clients that incur them, and if multiple clients incur expenses in the same transaction, we allocate the expenses among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

For more information on brokerage transactions and costs, please see Section 9: Brokerage Transactions.

We receive certain soft-dollar benefits in connection with the portfolio investments of our clients. Please see Items 9 and 11 for a description of those arrangements.

3. Performance-Based Fees and Side-By-Side Management

Our firm or our affiliates receive performance-based compensation in the form of a performance fee or a performance allocation from some of our clients. The existence of the performance fee or allocation may create an incentive for our firm or our affiliates to make riskier or more speculative investments on behalf of the clients paying a performance fee or performance allocation than would otherwise be the case.

In addition, the non-existence or the existence of different rates of performance fees or allocations may create an incentive for our firm or our affiliates to favor certain clients when making an investment decision than would be the case in the absence of these arrangements. Such conflicts are dealt with on a case by case basis, having regard to relevant facts and circumstances.

4. Types of Clients

All of our clients are private investment vehicles sponsored by us. Our clients rely on certain exclusions from the definition of "investment company" in the Investment Company Act of 1940, as amended, or are otherwise not covered by that Act. Accordingly, none of our clients is registered as an investment company with the Securities and Exchange Commission.

Our firm determines in its sole discretion any requirements for entering into an investment advisory contract with a client or otherwise opening or maintaining an account, including whether a private fund is large enough to implement its desired investment program.

5. Method of Analysis, Investment Strategies and Risk of Loss

In managing our clients, we employ methods of analysis and investment strategies suitable for each client's investment objective.

We employ a wide variety of investment strategies that vary from client to client. The specific investment strategies (which are described more fully in each client's offering documents) are the following:

- <u>Mixed Arbitrage (Capital Structure)</u> – clients employing this strategy focus on leveraged trading and investment, on a global basis, principally in a portfolio of diversified credit and equity strategies. Their investment process consists of applying quantitative analysis of price relationships across underlying asset classes (such as bonds, CDS, convertible bonds and equity) to capitalize on pricing anomalies between equity and credit within a company's capital structure.

- <u>Mixed Arbitrage (Credit)</u> – clients employing this strategy focus on leveraged trading and investment, on a global basis, principally in a portfolio of diversified credit strategies that focus on three separate credit strategies: credit correlation and volatility, long-short credit and capital structure arbitrage (credit equity).

- Mixed Arbitrage (Volatility) – clients employing this strategy focus on investing in a portfolio of volatility related instruments in foreign exchange and equities and derivatives relating to those instruments, including swaps, futures and options contracts. Their investment process consists of applying quantitative analysis of price and volatility relationships across underlying asset classes (such as foreign exchange and equity indices) and then to capitalize on pricing anomalies.

- Global Stock and Bond Trading – clients employing this strategy generally make global investments, primarily in debt and equity instruments, and foreign exchange and derivatives relating to those instruments, including swaps, futures and options contracts. In addition, a sub-strategy involves investing emerging markets with a focus on equity, debt and foreign exchange trading across global emerging market regions.

- Fundamental Equity – clients employing this strategy invest in global equity and equity linked opportunities across a variety of sub-strategies including but not limited to fundamental equity long/short strategies, quantitative strategies and relative value strategies. Within each sub-strategy, clients adopt approaches that include an opportunistic, bottom-up approach to investment selection, with a view to sourcing and selecting the most attractive opportunities and most effective execution strategies.

- Quantitative Trading – clients employing this strategy focus on systematic high-frequency liquid equity trading, and these clients trade a number of single stocks across a range of markets.

- Relative Value – clients employing this strategy make investments in different arbitrage situations that focus on relative value of the investments, including bond, interest rates and foreign exchange trading.

An additional strategy employed by certain of our clients is to invest in other funds which employ one or multiple investment strategies.

We also act as investment manager (or investment adviser as the case may be) to certain investment vehicles utilized by a number of clients to make certain investments. These investment vehicles are utilized where the directors, or the general partners, as the case may be, of the relevant funds or accounts consider that it would be in the best interests of the fund or account to conduct an investment through that entity due to commercial, regulatory or other considerations.

With respect to each of our clients, in order to apply the strategies discussed above, we use a variety of methods of analysis to evaluate the different potential investments, including:

- analysis of charts and trends,

- fundamental analysis of the primary business or asset that we are investing in, and

- technical analysis of past market trends to determine the future value of the investment.

The sources of the information for the analysis may include:

- inspections of corporate activities,
- research materials prepared by analysts outside of our investment team,
- corporate ratings services,
- annual reports, prospectuses, and other filings with the Securities and Exchange Commission,
- company press releases,
- our own proprietary models and analysis, and
- our own economists' and analysts' recommendations.

Despite our thorough research and analysis, investing in any security involves a risk of loss that clients and investors in our clients must be prepared to bear. Please see below for a detailed explanation of some of the significant risks associated with the investment strategies we employ.

In the following risk factors, the word "client" includes the underlying funds through which our fund of funds clients and feeder clients invest.

Certain general risks associated with an investment in any client we advise include:

General Economic and Market Conditions

General economic and market conditions influence the success of our clients' activities. For example, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances may affect clients' and/or their underlying funds' activities. These factors may affect the level and volatility of securities prices and the liquidity of the clients' and/or their underlying funds' investments. Volatility or illiquidity could hurt our clients' profitability or result in losses.

Market Disruptions

Our clients may incur major losses in the event of disrupted markets or other extraordinary events. These losses may affect markets in a way that is inconsistent with historical pricing relationships. Illiquid positions increase the risk, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions typically reduce finance available from the banks, dealers and other counterparties to our clients or their underlying funds. A reduction may result in substantial losses to our clients or their underlying funds and in turn to our clients. The dealer community's sudden restriction of credit has resulted in forced liquidations and major losses for a number of investment funds and other vehicles. Because market disruptions and losses in one sector can cause ripple effects in other sectors, many investment funds and other vehicles have suffered heavy losses even though they were not necessarily heavily invested in credit-related investments. In addition, market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for our clients and their underlying funds. These events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. A financial exchange may from time to time suspend or limit trading. A suspension could render it difficult or impossible for our clients to liquidate affected positions, which would expose them to losses. There is also no assurance that off-exchange markets will remain liquid enough for our clients and/or their underlying funds to close out positions.

Conflicts of Interest

Our firm, service providers and certain entities appointed to provide investment management services and/or their respective affiliates or any person connected with them may from time to time act as directors, investment manager, manager, sub-investment manager, sales agent, prime broker, broker, execution broker, custodian, director, registrar, broker, administrator, investment advisor, distributor or dealer in relation to, or be otherwise involved in, other investment funds and/or other vehicles (including those which invest in our clients, either directly or indirectly, and/or in which our clients, either directly or indirectly) which have similar or different objectives to other funds. It is, therefore, possible that any of the foregoing may, in the course of business with one fund, have potential conflicts of interest with another fund.

Further, where permitted by applicable law, any of the foregoing entities may deal, as principal or agent, with our clients, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis. Our firm, our affiliates (including Systematica Investments Limited and its affiliates) or any person connected with them may invest in, directly or indirectly, or manage or advise other investment funds, vehicles or accounts which invest in assets which may also be purchased or sold by our clients. None of our firm, our affiliates or any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to our clients or to account to our clients in respect of (or share with our clients or inform the our clients of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities at their discretion on an equitable basis among our clients having regard to the nature (including the risk profile) of our clients.

With respect to certain of our clients, we may execute orders on their behalf through Global Execution Limited, which is a member of our group. Global Execution Limited is licensed by the Jersey Financial Services Commission and operates as a trading execution platform. Global Execution Limited charges brokerage commissions/fees for executing orders on behalf of clients, and as Global Execution Limited is a member of our group, this may create an incentive for us or one of our affiliates to execute on behalf of a client more trades through Global Execution Limited. Notwithstanding this, our choice of all brokers and dealers with respect to our clients is made in accordance with our best execution policy. Members of our firm, our affiliates or any person connected with them, may advise and/or manage certain investors in our clients as well as such clients and, as a result of these separate capacities, may have access to more information regarding the investments of these clients than is generally available to other investors. Accordingly, in the course of business, the relationship among certain investors, our clients and members of our firm or our affiliates or any person connected with them may pose potential conflicts of interest.

Members of our firm, our affiliates or any person connected with them may advise, sponsor or manage proprietary investment funds, vehicles or accounts in which only partners, employees, affiliates or other persons connected with our firm may invest. Currently members of our firm manage proprietary investment vehicles, including BSMA Limited and its related entities. These investment funds, vehicles or accounts may pursue the same or similar investment objective and use the same or similar investment approach as our clients, or may employ investment approaches that are more or less leveraged or risky. The partners, employees or affiliates of members of, or other persons connected with, our firm, or other investment professionals, involved in advising, sponsoring or managing these investment funds, vehicles or accounts may, or may not, provide similar services to, or fulfill similar roles in respect of, our clients. Accordingly, these proprietary investment funds, vehicles or accounts may produce investment results that are substantially different from those of our clients. To the extent that our clients invest in similar markets and investments at or about the same time, these other investment funds, vehicles or accounts may compete with our clients with respect to these investments. The potential fees payable to us by certain clients may exceed the potential fees payable by other clients. Our firm will allocate resources as it in its sole discretion considers appropriate in managing our clients and any other relevant proprietary and/or non-proprietary investment funds, vehicles or accounts in accordance with their respective investment objectives and strategies.

Other Clients

Members of our firm, our affiliates or any person connected with them may manage or advise other funds and/or accounts, and each will remain free to provide such services to additional funds and accounts, including for their own accounts, in the future. Members of our firm, our affiliates or any person connected with them may vary the investment strategies employed on behalf of our clients from those used for itself and/or for other clients. No assurance is given that the results of the trading by our firm, our affiliates or any person connected with them on behalf of our clients will be similar to that of other funds and/or accounts concurrently managed by the our firm, our affiliates or any person connected them. It is possible that such funds and accounts and any additional funds and accounts to which we in the future provide such services may compete with our clients for the same or similar positions in the markets. Our firm and our affiliates own (and may transfer and/or license to any affiliate or person connected with our firm or its affiliates as they see fit) any intellectual property developed by them in the performance of services to our clients, including without limitation any intellectual property in the investment approach and strategies of our clients. Our firm and our affiliates may use information, intellectual property and investment strategies which any of them obtains, produces, creates, develops or utilizes in the performance of services to our clients in relation to other investment funds, vehicles or accounts (which may include without limitation proprietary funds, vehicles or accounts), as they determine in their sole discretion. Our clients will bear all fees, charges and expenses incurred for all transactions carried out by them or on their behalf, whereas other investment funds, vehicles or accounts will not pay any part of such fees, charges and expenses even if they benefit from information, intellectual property and investment strategies derived from the trading activities or results of such client.

Regulatory Risks of Hedge Funds

The regulatory environment for hedge funds continues to evolve and changes therein may adversely affect the ability of our clients to obtain the leverage they might otherwise obtain or to pursue their investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by our clients. The effect of any future regulatory or tax change on our clients is impossible to predict.

In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act (also known as the Dodd-Frank Act) has impacted and will continue to impact us and our clients. Certain provisions of the Dodd-Frank Act require rulemaking by the applicable regulators before becoming fully effective, it is difficult to predict the full impact of the Dodd-Frank Act, and the markets in which our clients trade and invest. The Dodd-Frank Act could result in certain investment strategies in which our clients engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the act could have a material adverse impact on the profit potential of our clients.

Global Financial Market Crisis and Governmental Intervention

The financial crisis of 2008 and its consequences for global financial markets have created extraordinary uncertainties, in particular the extent to which the underlying causes of instability have the potential to cause instability in the future. The financial crisis has led to extensive and unprecedented governmental intervention since 2008. Regulators in many jurisdictions implemented a number of wide-ranging emergency regulatory measures. Intervention was in certain cases implemented on an “emergency” basis and it is possible that further emergency measures may be taken in the future and would affect the ability of market participants to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, due to the uncertain stability of global financial institutions the security of assets held by any financial institution cannot be guaranteed, notwithstanding the terms of any agreement with such institution.

It is impossible to predict with certainty what additional temporary or permanent restrictions governments or regulators may impose on the markets and how those will impact investment objectives of our clients.

Brexit – Changes to the European Union and the Applicability of the Treaty on the Functioning of the European Union.

On March 29, 2017, the prime minister of the United Kingdom formally notified the European Council, in accordance with Article 50 of the Lisbon Treaty, of the United Kingdom’s intention to leave the European Union, commonly known as “Brexit”, and commenced the two-year “divorce” period during which the United Kingdom and the EU will attempt to negotiate a withdrawal agreement governing the United Kingdom’s withdrawal from and its future relationship with the EU. Unless an extension of the “divorce” period is agreed upon by all member states of the EU, the United Kingdom's withdrawal will be effective at the end of the "divorce" period, regardless of whether a withdrawal agreement has been finalized. During the "divorce" period, the United Kingdom will remain a member of the EU and continue to be subject to its laws and regulations. It is unclear whether a withdrawal agreement will be finalized during the two-year "divorce" period and, if not, whether all members of the EU will agree to extend the "divorce" period. Additionally, political parties in several other member states of the EU have proposed that a similar referendum be held on their country's membership in the EU. It is unclear whether any other member states of the EU will hold such referendums.

Areas where the uncertainty created by the United Kingdom's vote to withdraw from the EU is relevant includes, but is not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the referendum may adversely affect the value of our client's investments and our ability to achieve the investment objectives of our clients.

Concentration of Investments

Our firm and our affiliates will generally seek to maintain a diversified portfolio of investments on behalf of our clients. However, some of our clients may at certain times hold relatively few investments. Accordingly, a client could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected.

Currency Exposure

Some of our clients' holdings are denominated in U.S. dollars. The clients' assets may, however, be invested in securities and other investments which are denominated in currencies other than U.S. dollars. Accordingly, the value of those assets may be affected favorably or unfavorably by fluctuations in currency rates. Our firm and our affiliates will usually seek to hedge our clients' foreign currency exposure. However, the clients' assets will necessarily be subject to foreign exchange risks. Accordingly, there is a potential risk of loss arising from fluctuations in value between the U.S. dollar and other currencies.

Debt Securities

Our clients may invest in both investment grade and sub-investment grade debt securities in the expectation that positive returns can be made. For investment grade securities this will normally be with an assumption that the issuer will be able to make payment of interest and/or principal which will be part of the returns together with any appreciation of the debt security. Sub-investment grade debt securities are subject to a greater risk of loss of principal and interest than higher-rated debt securities. Our clients may invest in distressed debt securities which are subject to a significant risk of the issuer's inability to meet principal and interest payments on the obligations and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. Our clients may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Our clients may also invest in debt securities that are not protected by financial covenants or limitations on additional indebtedness and may invest in debt securities or obtain exposure to those debt securities by selling the securities short.

The issuers of debt securities may default on their obligations, whether due to insolvency, bankruptcy, fraud or other causes, and their failure to make the scheduled payments could cause our clients to suffer significant losses. Our clients will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, and making comparison between countries is difficult. In addition, the market for debt securities may be inefficient and illiquid, making it difficult to accurately value financial instruments.

Commodities Risk

Commodity prices generally relate to the overall level of economic activity and industrial production. Historically, during periods of economic or financial instability, commodities and the securities of producers have been subject to extreme changes in market price. The earnings and general financial conditions of producers are highly dependent on the market price of the underlying resources which, historically, have been extremely volatile. Natural disasters, including earthquakes, droughts and floods, can lead to severe supply disruptions. These events may significantly influence prices of commodities and prices of natural resource equities. Similarly, supply interruptions as a result of social factors such as strikes and civil unrest can have a material impact on commodity prices. Commodities may also be subject to deterioration, contamination and spoilage.

The production of some commodities can be concentrated in geographic regions or specific countries and, accordingly, the impact of natural, political or social factors can have a significant effect. Co-operative or coordinated actions, commodity producers or sovereign nations (for example, members of the Organization of the Petroleum Exporting Countries) can influence commodity prices. The discovery of a significant mineral deposit could have a major adverse impact on the price of the commodity due to the prospect of increased supply. New technology could lead to substitution of a commodity or commodities, which would reduce demand. Similarly, new technology could lower production costs and increase supply of a commodity, influencing its price.

Convertible Securities

Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until the time that the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. It is possible that the potential for appreciation on convertible securities may be less than that of a common stock equivalent.

Convertible securities may or may not be rated within the four highest categories by Standard & Poor's and Moody's and if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities.

In the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a client's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction which increases its outstanding securities.

Counterparty Risk

Our clients and/or their underlying funds are at risk if any counterparty is unable to perform in terms of a transaction because of, among other things, insolvency, bankruptcy or inability of the counterparty to access finance and/or assets to meet its obligations.

Where any counterparty enters an insolvency procedure, our clients and/or their underlying funds could experience delays in liquidating their positions and significant losses, including the following:

- loss of that portion of an underlying fund's portfolio financed through the counterparty transaction,
- a decline in value of its investment during the period in which the underlying fund seeks to enforce its rights,
- an inability to realize any gains on its investment, and
- fees and expenses incurred in enforcing its rights.

During an insolvency procedure (which may last many years) our clients and their underlying funds may have restricted use of assets that are held by or on behalf of the relevant counterparty. Restricted use of the assets may give rise to the following consequences:

- our ability to fulfill the investment objective of the client may be impaired;

- we may require our client and/or its underlying funds to suspend the calculation of the net asset value and as a result subscriptions for and withdrawals or redemptions of limited partners interests or shares, and/or

- the net asset value may be otherwise affected.

During an insolvency procedure, our clients and/or their underlying funds are likely to be unsecured creditors in relation to certain assets (including those which they had previously been secured creditors), and, because of this, our clients and/or the underlying funds may be unable to recover the assets from the insolvent estate of the relevant counterparty in full, or at all.

Credit Default Swaps

Our clients may take long and short positions in credit default swaps. A credit default swap is a type of credit derivative which allows one party (the “protection buyer”) to transfer credit risk of a reference entity (the “reference entity”) to one or more other parties (the “protection seller”). The protection buyer pays a periodic fee to the protection seller in return for protection against the occurrence of a number of events experienced by the reference entity. Credit default swaps carry specific risks, including credit event risks such as the reference entity’s bankruptcy or failure to pay, high levels of gearing, wide bid/offer spreads and documentation risks. In addition, there can be no assurance that the counterparty to a credit default swap will be able to meet its obligations to our clients if a credit event occurs in respect of the reference entity. Further, the counterparty to a credit default swap may seek to avoid payment following an alleged credit event by claiming that there is a lack of clarity in, or an alternative interpretation of, language used in the contract, most notably the language specifying what would amount to a credit event.

Credit Spreads

Our clients make investments that expose them to credit spreads. Movements in these credit spreads will have an impact on the net asset value of each of these clients. Also, the market for credit spreads can be inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments.

Currency Options

Our clients may buy and sell currency options, the value of which depends largely upon the price and volatility in the underlying currency in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying currencies are also applicable to over-the-counter options trading. In addition, there are a number of other risks associated with the trading of options including the risk that the purchaser of an option may at worst lose the entire investment (the premium paid) and that the seller of an option may lose considerably more than the premium paid.

Derivatives

Our clients and/or their underlying funds may utilize both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of their investment policy and for hedging purposes. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in these instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Further, when our clients use derivatives for hedging purposes, there may be an imperfect match between these instruments and the investments or market sectors being hedged. Transactions in over-the-counter contracts may involve additional risk since there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Contractual differences and inefficiencies can also increase risk, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of our clients, incorrect collateral calls or delays in collateral recovery. Our clients may also sell covered and uncovered options on securities and other assets. To the extent that the options are uncovered, our clients could incur an unlimited loss.

The CFTC and U.S. exchanges have established limits, referred to as “speculative position limits,” on the maximum net long or net short position that any person, or group of persons acting together, may hold or control in certain commodities. The Dodd-Frank Act also authorizes the CFTC to establish speculative position limits in all futures and swaps markets. The CFTC has proposed new rules that would impose position limits on certain futures and option contracts and physical commodity swaps that are “economically equivalent” to such contracts. If enacted, these rules could restrict trading activities in such contracts and swaps on behalf of our clients.

The CFTC has also adopted rules with respect to the treatment of positions held by a commodity pool, such as certain of our clients, for purposes of determining compliance with speculative position limits. Futures positions of a client are allocated to the person or entity controlling trading decisions for that client. Currently, all of the positions held by all accounts owned or controlled directly or indirectly by our firm or affiliates will be aggregated. Depending upon the total amount of assets being managed in client accounts that are controlled directly or indirectly by our firm, such position limits may affect our affiliates’ ability to establish particular positions in certain commodities for our clients or may require the liquidation of positions.

Particular Risks of OTC Derivatives

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC derivatives, are generally established through negotiation with the other party to the instrument. While this type of arrangement allows our clients greater flexibility to tailor the instrument to its needs, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if OTC derivatives are deemed not to be legally enforceable or are not documented correctly.

Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk, for example, break clauses whereby a counterparty can terminate a transaction on the basis of a certain reduction in the client's net asset value, incorrect collateral calls or delays in collateral recovery.

There also may be a legal or documentation risk that the parties to an OTC derivative may disagree as to the proper interpretation of its terms. If a dispute occurs, the cost and unpredictability of the legal proceedings required for our clients to enforce their contractual rights may lead our clients to decide not to pursue their claims under the OTC derivative. Our clients thus assume the risk that they may be unable to obtain payments owed to them under OTC arrangements, that those payments may be delayed or made only after our clients have incurred the costs of litigation.

Enhanced Regulation of the OTC Derivatives Markets

There has been an international effort to increase the stability of the financial system in general, and the OTC derivatives market in particular, in response to the recent financial crisis. In many jurisdictions, regulators have begun to require OTC standardized derivatives contracts to be cleared through central counterparties or, where appropriate, traded on exchanges or electronic trading platforms and that OTC derivatives contracts be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements.

Rules and regulations required under the Dodd-Frank Act that comprehensively regulate the OTC derivatives markets for the first time are in effect. The CFTC has recently required that certain interest rate and credit default index swaps be centrally cleared, and that certain interest rate swap and credit default index swap contracts be executed through a swap execution facility. Additional standardized swap contracts are expected to be subject to new clearing and execution requirements in the future. OTC trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible margin requirements mandated by the SEC. The regulators have also recently adopted margin requirements that require the collection of initial and variation margin relating to OTC derivatives that are not required to be cleared. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", our firm and our affiliates are not eligible to rely on those exemptions. In addition, the OTC derivatives dealers with which our clients execute the majority of their OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore those dealers will be subject to clearing and margin requirements notwithstanding whether our clients are subject to those requirements. OTC derivatives dealers are required to post margin to the clearinghouses through which they clear their customers' trades instead of using margin in their operations for cleared derivatives. This will increase the OTC derivatives dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favorable trade pricing, and possible new or increased fees.

The SEC and CFTC are also expected to increase the portion of derivatives transactions that will be required to be executed through regulated securities, futures, or swap exchange or execution facilities. These requirements may make it more difficult and costly for investment funds, including our clients, to enter into highly tailored or customized transactions. They may also render certain strategies in which our clients might otherwise engage impossible or so costly that they will no longer be economical to implement. OTC derivatives dealers and major OTC derivatives market participants have now registered with the SEC and/or CFTC and the CFTC's broad interpretation of its jurisdiction has recently required additional dealers to register. Our clients, our firm or our affiliates may be required to register as major participants in the OTC derivatives markets if their swaps positions are too large or leveraged but the CFTC's and the SEC's definition of major swap participant and major security- based swap participant, respectively, make such registration unlikely. Dealers and major participants will be subject to minimum capital and margin requirements. These requirements may apply irrespective of whether the OTC derivatives in question are exchange-traded or cleared. OTC derivatives dealers are also subject to new business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, limitations on conflicts of interest, and other regulatory burdens. These requirements may increase the overall costs for OTC derivatives dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. In addition, the CFTC has proposed position limits for certain physical commodity contracts and other reference contracts, such as swaps that relate to the futures contract, which would limit the ability of our clients to concentrate on a particular type of contract. Our clients are also subject to recordkeeping and depending on the identity of the swaps counterparty, reporting requirements. While many of the requirements of the Dodd-Frank Act have been adopted, the final overall impact of the Dodd-Frank Act on our clients is uncertain, and it is unclear how the OTC derivatives markets will adapt to the final regulatory regime.

A regulation on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation) came into force in August 2012. The regulation introduces uniform requirements covering financial counterparties, such as investment firms, credit institutions, insurance companies and managers of alternative investment funds such as our clients and certain non-financial counterparties in respect of OTC derivatives contracts. Financial counterparties are subject to a general obligation to clear all so-called "eligible" OTC derivatives contracts through a duly authorized central counterparty (known as a "clearing obligation") and to report the details of all such contracts to a trade repository (known as a "reporting obligation"). A non-financial counterparty may also be subject to the clearing obligation and the reporting obligation, subject to its positions in OTC derivatives contracts exceeding certain thresholds. In addition, a financial counterparty or a non-financial counterparty subject to the clearing obligation which enters into an OTC derivatives contract which is not eligible for the clearing obligation would have to ensure that appropriate procedures and arrangements are in place to measure, monitor and mitigate operational and credit risk. While some of the obligations under the European Market Infrastructure Regulation have come into force, a number of the requirements are subject to phase-in periods. It is as yet unclear how the OTC derivatives market will adapt to certain aspects of the new regulatory regime (such as mandatory collateral exchange requirements which began to be phased-in from March 2017). Accordingly, it is difficult to predict the full impact of the draft regulation on our clients, which may include an increase in the overall costs of entering into and maintaining OTC derivatives contracts. The regulatory changes arising from the draft regulation may in due course adversely affect the ability of our clients to adhere to their investment approaches and achieve their investment objectives.

Emerging Markets

Our clients and/or their underlying funds may invest in emerging markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions and a greater likelihood of severe inflation, unstable currency, war and theft of personal property than investments in securities of issuers based in developed countries. In addition, legal limits on foreign investment in local securities may restrict investment opportunities in certain emerging markets.

The economies of individual developing countries may differ favorably or unfavorably from the economy of a developed country in these respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, the economies of developing countries generally are heavily dependent upon international trade. Accordingly, trade barriers, exchange controls, managed adjustments in relative currency values and other negotiated or imposed protectionist measures adversely affect the economies of developing countries. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of certain of these countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to the same accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, which potentially increase the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

There may be publication of data in a developing country that reveals our clients' securities portfolios. Evidence of foreign ownership may subject our clients to additional risks, which include possible adverse political and economic developments, and the risk of seizure or nationalization of foreign deposits or other assets. In addition, evidence of foreign ownership may subject our clients to the possible adoption of governmental restrictions which might adversely affect payments on securities or restrict payments to investors located outside the country of the issuers, whether from currency blockage or otherwise.

In addition, governments that levy brokerage or stock transfer taxes on some securities cause an increase in the cost of investment, which may reduce the realized gain or increase the loss on the securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries. In addition, dividend and interest payments from, and capital gains in respect of, certain securities may be subject to taxes that may or may not be reclaimable.

With respect to any emerging market country, there is the possibility of nationalization, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of our clients and/or their underlying funds, political changes, government regulation, social instability or diplomatic developments (including war) which could affect adversely the economies of these countries or the value of our clients' investments in those countries.

Where assets of our clients and/or their underlying funds are invested in narrowly defined sectors of a given economy, potentially adverse developments within those sectors will increase risk.

Eurozone Crisis

The current economic situation in the Eurozone has created significant pressure on certain European countries regarding their membership of the Euro. Some economists advocate the exit of certain countries from the Eurozone, and political movements in some Eurozone countries also promote their country's exit from the Eurozone for economic or political reasons, or both. It is possible that one or more countries may leave the Eurozone and return to a national currency (which may also result in them leaving the European Union) and/or that the Euro will cease to exist in its current form, or entirely, and/or lose its legal status in one or more of the current Eurozone countries.

There are no historical precedents, and the effect of any such event on our clients is impossible to predict. However, any of these events might, for example:

- cause a significant rise or fall in the value of the Euro against other currencies,
- significantly affect the volatility of currency exchange rates (particularly for the Euro) and of the prices of other assets,
- significantly reduce the liquidity of some or all of our clients' investments (whether denominated in the Euro or another currency) or prevent a client from disposing of them at all,
- change, through operation of law, the currency denomination of cash, securities, transactions and/or other assets of our clients that are currently denominated in the Euro to the detriment of a client or at an exchange rate that we or our affiliates may consider unreasonable or wrong,

- adversely affect a client’s ability to enter into currency hedging transactions and/or increase the costs of such transactions (which may prevent that client from allocating losses on currency hedging transactions in accordance with its usual allocation policies, or from protecting certain share classes against exposure to foreign exchange rates through hedging),

- affect the validity or interpretation of legal contracts on which a client relies,

- adversely affect the ability of a client to make payments of any kind or to transfer any of its funds between accounts,

- increase the probability of insolvency of, and/or default by, its counterparties (including prime brokers, custodians and account banks), and/or

- result in action by national governments or regulators which may be detrimental or which may serve to protect certain types of market participants at the expense of others.

Such factors could, individually or in combination with each other, impair a client’s profitability or result in significant losses, prevent or delay that client from being able to value its assets and/or calculate its net asset value and affect the ability of the client to redeem interests and make payments of amounts due to investors. Although we and/or our affiliates might be able to identify some of the risks relating to the possible events described above, there might be no practicable measures available to them that would reduce the impact of such events on our clients.

Foreign Exchange Trading

In general, foreign exchange rates can be extremely volatile, and market movements can be difficult to predict. Currency prices may be influenced by, among other factors: changing supply and demand for a particular currency; trade, fiscal and monetary policies of governments (including, without limitation, exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries; political events; changes in balances of payments and trade; domestic and foreign rates of inflation; domestic and foreign rates of interest; international trade restrictions; and currency devaluations and restrictions). Differences in the amount of volatility of the market from our expectations may produce significant losses to our clients, particularly in the case of transactions entered into pursuant to non-directional strategies.

Currency exchange rates and currency transactions are subject to certain risks arising from government activities, including those of the U.S. Federal Reserve Board, through regulation of or intervention on the currency markets, regulation of the local exchange market, restrictions on foreign investments by residents or limits on inflows of investment funds.

Regulation or intervention could adversely affect our clients’ performance. Our clients’ investment in securities issued or guaranteed by sovereign governmental entities may also present risk of loss in the event of a default by a government or government agency.

Politics, recession, inflation, employment levels, trade policies, international events, war and other unforeseen events can also have significant impact upon prices. A variety of possible actions by various government agencies also can hurt the profitability of our clients' business or can result in losses. These events, which can result in huge market movements and volatile market conditions, create the risk of catastrophic losses for clients. We employ various techniques to attempt to reduce a portion of the risks inherent in the trading strategy utilized on behalf of our clients. The ability to achieve the desired effect through a particular technique is dependent upon many factors, including the liquidity of the market at the desired time of execution. Because of this, substantial risk remains that the techniques employed on behalf of our clients cannot always be implemented or effective in reducing losses.

The currency market allows investors to have a substantial degree of leverage. This leverage presents the potential for significant profits, but also entails a high degree of risk. Since clients may maintain currency positions with an aggregate value in excess of their net asset values, these include the risk that losses in excess of the amount invested will be sustained. These losses may result, for example, from significant directional movements in currency exchange rates. In times of significant volatility in the foreign exchange markets, margin requirements for exchange-traded futures or option contracts (in the context of exchanges that impose margin requirements) may be increased substantially. Any increase would reduce the degree of leverage and, therefore, the potential profitability to clients of the underlying positions. The degree of clients' leverage may also be reduced if any counterparty requires them to collateralize their contingent liabilities arising from over-the-counter forward, spot or option contracts.

Forward Foreign Exchange Contracts

Our clients and/or their underlying funds may enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not the same in the quantity or time at which a currency is to be delivered and are not traded on exchanges. Rather, they are individually negotiated transactions. Forward foreign exchange contracts are effected through a trading system known as the interbank market. It is not a market with a specific location but rather a network of participants that are electronically linked.

There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell.

Transactions in forward foreign exchange contracts are not regulated by any regulatory authority and are not guaranteed by an exchange or clearing house. Our clients and their underlying funds will be subject to their counterparties' inability or refusal to perform with respect to these types of contracts. Any default would eliminate any profit potential and force our clients and their underlying funds to cover their commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

Fraud of Borrowers

When investing in debt instruments, and in particular loans, there is the risk of a borrower making a material misrepresentation or omission which our clients may have relied upon in making the loan. The inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of our clients to perfect or effectuate a lien on the collateral securing the loan. Our clients rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee that the representations are accurate or complete. Under certain circumstances, payments to our clients may be reclaimed if any payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Highly Volatile Markets

The prices of derivative instruments, including options prices, are highly volatile. Price movements of forward contracts and other derivative contracts in which our clients may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. These types of intervention are often intended directly to influence prices and may, together with other factors, cause all of these markets to move rapidly in the same direction because of, among other things, interest rate changes. Our clients are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearing houses.

Identification and Exploitation of Investment Strategies

The success of our clients' investment activities depends on our affiliates' ability to identify overvalued and undervalued credit situations and to exploit price differences in the financial markets, as well as to assess the impact of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by our clients involves a high degree of uncertainty.

Our clients may be adversely affected by unforeseen events, including:

- matters such as changes in interest rates or the credit status of an issuer or counterparty,
- forced redemptions of securities or acquisition proposals,
- break-ups of planned mergers,
- unexpected changes in relative values, volatility levels or liquidity conditions,
- an inability to short stock, or
- changes in tax treatment.

Interest Rate Risk

The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions that were not initially anticipated.

Investment and Repatriation Restrictions

Some developing countries have laws and regulations that preclude direct foreign investment in the securities of local issuers. However, indirect foreign investment in exchange-traded securities of companies in these countries may be permitted through specially authorized investment funds. Our clients and their underlying funds may invest in these investment funds. If our clients or their underlying funds invest in these investment funds, the investors will bear the expenses of our clients and similar expenses of the underlying investment funds.

In addition to these investment restrictions, some developing countries may require prior governmental approval for certain investments in these countries.

Repatriation of investment income, assets and the proceeds of sales by investors may require governmental registration and/or approval in some developing countries. Delays or a refusal to grant any required governmental registration or approval for the repatriation could adversely affect our clients.

Loans

In relation to trading in loans either directly or through participations, our clients' ability to acquire or dispose of positions may be restricted, delayed or prevented to the extent that any conditions to transfer are required to be satisfied. These conditions may include, without limitation, obligations on a client, as transferee, to provide satisfactory confidentiality promises to the borrower, grantor of a participation or transferor to obtain the same from any additional transferee. The underlying documents governing our clients' holding of a loan position may contain restrictions on our clients' ability to transfer their loan positions. There may also be restrictions on transfer in the underlying loan documents. In addition, illiquidity in the market for trading loan positions may affect our clients' ability to dispose of, and realize value for, their loan positions.

Loans to Companies in Distressed Situations

Our clients may invest in loans made to companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although the terms of financing may result in significant financial returns to a client, they involve a substantial degree of risk. There is an unusually high level of analytical sophistication, both financial and legal, necessary for successful financing to companies experiencing significant business and financial difficulties. There is no assurance that our clients will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a distressed company, our clients may lose all or part of the amounts invested. In addition, our clients may be required to accept collateral with a value less than the amount of the investment in the loans.

Low Credit Quality Loans

There are no restrictions on the credit quality of the loans in which our clients may invest. Loans may have substantial vulnerability to default in payment of interest and/or principal. Certain of the loans may have large uncertainties or major risk exposures to adverse conditions, and the loan industry may consider them to be mostly speculative. Generally, these types of loans offer a higher return potential than better quality loans, but involve greater volatility of price and greater risk of loss of income and principal. The market values of some of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.

Repurchase Agreements

Our clients may enter into repurchase agreements with respect to securities. Repurchase agreements involve credit risk to the extent that our clients' counterparties may avoid certain obligations in bankruptcy or insolvency proceedings, which expose our clients to unanticipated losses. The amount of credit risk incurred by one of our clients for a particular repurchase agreement will depend in part on the extent to which the obligations of the client's counterparty are secured by sufficient collateral.

Short Selling

Our clients and the underlying funds in which our clients invest may engage in short selling of securities. Short selling may expose a portion of a client's or an underlying fund's assets committed to these activities to unlimited risk. Unlimited risk occurs where no upper limit exists on the price to which a security may rise. However, to the extent that one of our clients has exposure to short selling activities through an underlying fund, our client's losses will be limited to the amount invested in the particular underlying fund.

In the past few years, regulators have taken action to restrict taking short positions on certain securities. The levels of restriction vary across different jurisdictions and are subject to change in the short to medium term. These restrictions have made it difficult and in some cases impossible for a number of market participants either to continue to implement their investment strategies or to control the risk of their open positions. As a result, our clients and their underlying funds may be constrained in fulfilling their investment objectives.

Enhanced Regulation of Short Sales, Credit Default Swaps and Other Swaps

A short sale involves the sale of a security that a fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To deliver to the buyer, a fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited loss due to an increase in the market price of the security. A credit default swap is a derivative contract, typically negotiated over-the-counter, whereby credit exposure relating to a fixed income product is transferred to a counterparty. The purchaser of a credit default swap generally makes payments to its writer up until its maturity date and, in exchange, the writer agrees to pay a third party debt in case of default.

The European Union regulation on short selling and certain aspects of credit default swaps (known as CDS) applies to short sales and/or short positions relating to (i) the issued share capital of companies whose shares are admitted to trading on a regulated market or multilateral-trading facility in the EEA (unless the principal trading venue for the relevant shares is located in a country outside the EEA), and (ii) debt instruments issued by an EEA sovereign issuer.

This regulation provides for the disclosure of net short positions in EEA listed shares and EEA sovereign debt. It applies to all natural or legal persons, irrespective of regulatory status, located inside and outside the EEA. The regulation also contains prohibitions on uncovered or "naked" short sales of EEA listed shares and EEA sovereign debt in certain circumstances, as well as a prohibition on uncovered CDS referencing EEA sovereign debt (i.e., where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, this regulation permits the competent authorities of European Union Member States to prohibit or restrict short sales, limit sovereign credit default swaps and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual financial instruments which have suffered a significant fall in price in a single day. The provisions of the regulation may hinder the investment programs of our clients by preventing them from taking positions that our firm or our affiliates consider favorable. They may also result in overvaluations of certain financial instruments due to restrictions on market efficiency. In addition, the emergency powers granted to competent authorities during times of stressed markets and with respect to individual financial instruments may adversely affect our clients by preventing them from taking hedging positions or other positions that our firm or our affiliates consider to be in their best interests. The imposition of emergency measures under the regulation could, therefore, result in substantial losses to our clients.

Sovereign Debt Crisis

Government interference with international transactions in its currency or the debt obligations of itself or its nationals through various means, including, without limitation, regulation of the local exchange market, restrictions on foreign investments by residents, limits on flows of investments funds from abroad and debt moratoria, may expose clients to unanticipated losses.

There are increasing concerns regarding the ability of multiple sovereign entities to continue to meet their debt obligations. In particular, ratings agencies have recently downgraded the credit ratings of various countries. Many economies are facing acute fiscal pressures as they struggle to balance budgetary austerity with stagnant growth. Many observers predict that a depressed economic environment will cause budget deficits in these economies to expand in the short term and further increase the perceived risk of a default, thereby rendering access to capital markets even more expensive and compounding the debt problem.

Special Situation Investments

Special situation investing requires a prediction to be made about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, a company may announce a plan of restructuring which promises to enhance value and fail to implement it, resulting in losses to investors. In liquidations and other forms of corporate reorganizations, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a client of the security in respect of which such distribution was made. The consummation of mergers and tenders and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or security holders of the target company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a governmental or other regulatory agency; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary shareholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of special situation investing, the results of a client's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

Transaction Costs

Our clients' and their underlying funds' investment approaches may involve a high level of trading and turnover of investments. This investment approach may generate substantial transaction costs for which the relevant client or underlying fund will be liable.

Error Trades

Unintended errors in the communication or administration of trading instructions may, from time to time, arise. Except in the case of the negligence, fraud or willful default of our firm or its affiliates, as the case may be, losses (if any) arising from such errors will be for the account of our clients on the basis that profits from such errors (if any) will also be for the account of our clients.

Underlying Funds

Our clients' underlying funds may invest in and actively trade instruments with significant risk characteristics, including, but not limited to, risks arising from:

- the volatility of securities,
- financial futures,
- derivatives,

- currency and interest rate markets,
- the leverage factors associated with trading in these markets and instruments,
- tax risks, and
- the potential exposure to loss resulting from counterparty defaults.

There can be no assurance that an underlying fund's investment program will be successful or that the investment objective of an underlying fund will be achieved.

We do not recommend primarily any single type of security. Our clients generally hold a diverse range of investments, yet we still encourage our clients as well as their investors to consider all of the risk factors we have described above. Any investment can be risky, and our clients and investors in our clients must be prepared to assume any potential loss.

Analytical Model Risks

Our clients employ certain strategies which depend upon the reliability, accuracy and analyses of our firm's and/or our affiliates' analytical models. To the extent these models (or the assumptions underlying them) do not prove to be correct, our clients may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the investment team and the assumptions embedded in the models. To the extent that our judgments or assumptions are incorrect, our clients can suffer substantial losses.

The trading decisions of our firm are based in part on trading strategies which utilize mathematical analyses of technical factors relating to past market performance. The buy and sell signals generated by a technical, trend-following trading strategy are based upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets. The profitability of any technical, trend-following trading strategy depends upon the occurrence in the future of significant, sustained price moves in some of the markets traded.

Our clients may therefore incur substantial trading losses:

- during periods when markets are dominated by fundamental factors that are not reflected in the technical data analyzed by the models,
- during prolonged periods without sustained moves in one or more of the markets traded, and
- during "whip-saw" markets, in which potential price trends start to develop but reverse before actual trends are realized.

In the past there have been prolonged periods without sustained price moves in various markets. Presumably, such periods will recur. A series of volatile reverses in price trends may generate repeated entry and exit signals in trend-following systems, resulting in unprofitable transactions and increased brokerage commission expenses.

Technical, trend-following trading systems are used by many other traders and in recent years there has been a significant increase in the use of technical, trend following trading systems. At times, the use of such systems may:

- result in increased competition in the markets,
- result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time,
- alter historical trading patterns,
- obscure developing price trends, or
- affect the execution of trades.

No assurance can be given that such use of discretion will enable our clients to avoid losses and in fact such use of discretion may cause our clients to forego profits which it may have otherwise earned had such discretion not been used.

The computerized trading systems of our program rely on the ability of our personnel to accurately process such systems' outputs and to use the proper trading orders, including stop-loss or limit orders, to execute the transactions called for by the systems. In addition, our firm relies on its staff to properly operate and maintain the computer and communication systems upon which the trading systems rely. Our systems are accordingly subject to human errors, including the failure to implement, or the inaccurate implementation of any of our systems, in addition to errors in properly executing transactions. This could cause substantial losses on transactions, and any such losses could substantially and adversely affect the performance of our clients.

Our program may use automated order routing and execution systems in its trading. Such systems are typically provided on an "as is" basis. Such systems may experience technical difficulties which may render them temporarily unavailable. In addition, such systems may fail to properly perform. Such failures may result in losses to our clients, for which losses the providers of such services have disclaimed all liability. In an effort to mitigate such risks, we closely monitor trades executed through automated order routing and execution systems and the operation of the systems themselves.

Our program is highly dependent on the proper functioning of its internal computer systems. Accordingly, systems failure, whether due to third party failures upon which such systems are dependent or the failure of our program's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short period of time), could, in certain market conditions, cause the accounts of our clients to experience significant trading losses or to miss opportunities for profitable trading. Additionally, any such failures could cause a temporary delay in reports to investors.

Our program depends to a significant degree on the receipt of timely and accurate market data from third party vendors. Any failure to receive such data in a timely manner or the receipt of inaccurate data for any reason could disrupt and adversely affect the trading for our clients until such failure or inaccuracy is corrected.

Reliance on Information Technology

The operations of our clients depend on information technology systems of our firm and of third parties. Defects, failures or interruptions of such systems, including damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors, power outages and catastrophic events, could have a material adverse effect on our clients, including a failure or delay in trade execution or confirmation, inaccuracies in reporting, and inability to monitor the portfolios. Although we have adopted data protection and recovery policies, there can be no guarantee that such policies will adequately protect against losses in the event of systems' malfunction. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our clients' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data.

Third Party Participation in Transactions

An affiliate may arrange or otherwise facilitate the participation of third parties in transactions that a client and/or any of its investment vehicles may invest. Furthermore, an affiliate may arrange or otherwise facilitate the participation of third parties in any investment vehicle. These third parties may include certain investors of a client and/or any of its investment vehicles. An affiliate may receive fees or other benefits (directly or indirectly) for these arrangements and facilitations and shall not be liable to account to the client or the relevant investment vehicle. Fees may also create an incentive for an affiliate to increase the opportunity for third parties to participate in transactions to the detriment of a client and the relevant investment vehicle.

Investment Vehicles

Our clients may form investment vehicles and structure their economic interest in in such investment vehicles through a variety of means, including without limitation by holding equity interests, debt instruments (including debt instruments secured on the assets of the relevant investment vehicle) or derivatives, or a combination thereof.

Third parties may also have ownership and/or economic interests in such investment vehicles, which may rank senior to the interests of our clients in them. Investment vehicles may make a number of investments, some of which may not be for the benefit of our clients. In the event of losses attributable to a particular investment (which may not be for the benefit of a client), or the insolvency of an investment vehicle (which may be caused, or contributed to, by an investment or investments not for the benefit of a client), or other event affecting an investment vehicle, a client could be subject to significant losses.

Unusual Yield Characteristics

One of the potential benefits of investment in the targeted instruments is that the market is from time to time somewhat inefficient in pricing these instruments, because the yield characteristics may be significantly different from more traditional debt securities. However these differences, such as monthly interest payments and principal prepayments, may at the time present issues for our clients and/or their investment vehicles in maintaining full investments. Therefore, we cannot ensure that the inefficient pricing will not materially adversely affect our clients' and/or their investment vehicles' portfolios.

Valuation of Hard-to-Value Assets

Valuation of our clients' hard-to-value assets may involve uncertainties and judgmental determinations. If these valuations should prove to be incorrect, our clients could be adversely affected. Independent pricing information may not at times be available or may be difficult to obtain with respect to certain of our clients' hard-to-value assets. Accordingly, certain hard-to-value assets may be subject to varying interpretations of value. In these cases, we may determine the value of a hard-to-value asset by, among other things, utilizing mark-to-market prices provided by dealers and pricing services and, if necessary, through relative value pricing. Pricing information and valuations that third parties and pricing services furnish to our clients may be relied upon without independent investigation.

Valuations of hard-to-value assets may not indicate what actual fair market value would be in an active, liquid or established market. We cannot guarantee that the value attributable to a hard-to-value asset will represent the value that our client will realize on the eventual disposition of the asset.

Bank Loans

Our clients' investment program may include investments in bank loans and participations. These obligations are subject to unique risks, including:

- so-called lender liability claims by the issuer of the obligations, and
- limitations on our clients' ability to directly enforce their rights with respect to participations.

In analyzing each bank loan or participation, our affiliates compare the relative significance of the risks against the expected benefits of the investment. Our clients will bear successful third party claims and other risks arising from bank loans and participations.

Event Risk

Because of the transaction structuring involved, our clients' investment and those of their investment vehicles may be backed by commodities or other trade assets. Negligence and fraud are always significant risks in both structured transactions and transactions involving trade finance assets. Our clients and their investment vehicles may employ a number of methods to seek to minimize these risks, but they can give no assurance that these efforts, if undertaken, will prove successful.

Financial Obligations

Our clients and their investment vehicles may acquire exposure to financial obligations which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated investments. Our clients and the investment vehicles may acquire exposure to financial obligations which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Our clients and their investment vehicles may acquire exposure to financial obligations which are not protected by financial covenants or limitations on additional indebtedness. Our clients and their investment vehicles will therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for financial obligations involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for financial obligations is often inefficient and illiquid, making it difficult to accurately value these financial obligations (including, without limitation, trade finance assets).

Asset-Backed Security

Through the use of trusts and special purpose corporations, various types of assets, primarily automobile and credit card receivables, are securitized in pass-through structures. Our clients may invest either directly or indirectly in these and other types of asset-backed securities that may be developed in the future.

Asset-backed securities present certain risks that are not presented by commercial mortgage-backed securities. Primarily, these financial instruments do not have the benefit of the same security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors may be entitled to the protection of consumer loan laws, many of which give debtors the right to set off certain amounts owed on the credit cards, which would reduce the balance due. Most issuers of asset-backed securities backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related asset-backed securities. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under applicable laws, the trustee for the holders of the asset-backed securities may not have a proper security interest in all of the obligations backing asset-backed securities. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in asset-backed securities ultimately depends on payment of consumer loans by the debtor.

The collateral supporting asset-backed securities is of shorter maturity than mortgage loans and is less likely to experience substantial prepayments. As with commercial mortgage-backed securities, asset-backed securities are often backed by a pool of assets representing the obligations of a number of different parties that use credit enhancement techniques such as letters of credit, guarantees or preference rights.

The following factors affect the value of an asset-backed security:

- changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool,
- the originator of the loans or the financial institution providing any credit enhancement, and
- the expiration or removal of any credit enhancement.

Collateralized Debt Obligations

Collateralized debt obligations are a type of asset-backed security with cash flows linked to the performance of an underlying pool of debt instruments. The underlying pool of collateral backing a collateralized debt obligation may consist of one or more types of debt instruments, including, without limitation, bonds, bank loans, senior and subordinated debt, investment grade and high yield debt, issued by government as well as corporate entities and various types of asset-backed and structured finance vehicles. The underlying asset pool backing collateralized debt obligations traded by our clients may be acquired outright by buying the relevant debt instruments, or acquired indirectly by selling credit protection under a credit default swap or similar derivative instrument. Our clients may trade in collateralized debt obligations backed by a pool of debt instruments and derivatives on debt instruments and may also trade in a wide range of other collateralized debt obligation products. In addition to the risks associated with debt securities and derivatives outlined below, due to the leveraged nature of collateralized debt obligations, these investments may be subject to more serious credit, liquidity and interest rate risks than the underlying component debt instruments and/or derivative instruments.

Commercial Mortgage-Backed Securities

Mortgage loans on commercial properties underlying commercial mortgage-backed securities often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal. These types of loans often depend upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value the real estate and whether it can be sold. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying commercial mortgage-backed securities are effectively non-recourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on mortgage loans, payments on the subordinated classes of the related commercial mortgage-backed securities are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of commercial mortgage-backed securities may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related commercial mortgage-backed securities. Revenues from the assets underlying these commercial mortgage-backed securities may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

Subordination

Our clients may purchase securities that may be unsecured and/or subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In the event of a bankruptcy or insolvency of the issuer of these securities, our clients may be unable to recover all or any of their investment.

Bridge Financings

Our clients may lend funds on a short-term, unsecured basis to portfolio companies, expecting to receive, in the future, equity or long-term debt securities in the portfolio companies. However, for reasons beyond our control, our clients may not always receive what they are anticipating and their bridge loans may remain outstanding. In this case, the interest rate or terms of the loan probably will not adequately reflect the risk associated with the unsecured position that our clients took.

Investment in Small Companies

Our firm may invest our clients' assets in the securities of small companies and recently organized companies. Historically, these securities have been more volatile in price than those of larger capitalized, more established companies. Small and recently organized companies' securities pose greater investment risks because the companies may have limited product lines, distribution channels and financial and managerial resources. Further, there is typically less publicly available information concerning these companies than there is for larger, more established businesses. In addition, small companies' securities may not be traded in the volumes typical for larger companies, and therefore it may take longer to sell these securities or we may have to accept potentially less favorable purchase prices. Small companies, especially those that have been recently organized, may have shorter operating histories on which to judge future performance and are more vulnerable to financial failure. Ultimately, investing in companies with limited operating histories is more speculative and entails greater risk than does investing in a company with an established operating record.

Potential Environmental Liability

Under various United States federal, state, local and non-U.S. laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in its property. These types of laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of the hazardous or toxic substances, or the failure to properly remediate contamination from these substances. Imposition of liability may adversely affect the owner's ability to sell the real estate or to borrow using property as collateral.

Risks of Real Estate Ownership

Real estate has historically experienced significant fluctuations and cycles in value. Risks related to any type of real estate investment include: potential environmental liabilities; risks of natural disasters and/or uninsured losses; the perceptions of prospective tenants of the safety, convenience and attractiveness of the properties; the ability to provide adequate management, maintenance and insurance; the expenses of periodically renovating, repairing and reletting spaces and increasing opportunity costs, which may not be passed on to tenants, and the financial stability of tenants; risks and operating problems arising from the absence of certain construction materials or energy shortages; the effect of local economic and other conditions on property cash flows and values; the need to relet space upon the expiration of current leases, dependence on major tenants and the possibility of tenant defaults; the ability of a property to generate sufficient revenue to meet operating expenses; periodic excessive real estate development; the illiquidity of real estate investments; changes in interest rates and unavailability of mortgage funds, which may render the sale of a property difficult; and the risk that tax, real estate, environmental and zoning laws and regulations might change in a manner that would adversely affect the real property our clients may own.

Use of Affiliated Execution Broker

We and/or our affiliates may execute orders on behalf of our clients through Global Execution Limited, which is a member of our group and which operates as a trading execution platform. As Global Execution Limited is a member of our group, and chargers brokerage commissions/fees, this may create an incentive for us or our affiliates to execute on behalf of our clients more trades through Global Execution Limited.

6. Disciplinary Information

Neither our firm nor any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

On June 6, 2011, effective June 8, 2011, an affiliate of our firm, BlueCrest Capital Management Guernsey LP, voluntarily agreed, without admitting or denying any allegations, to a settlement with the New York Mercantile Exchange (NYMEX) Business Conduct Committee relating to NYMEX Rule 562. NYMEX Rule 562 provides that any positions held in excess of those permitted under the rules of NYMEX will be deemed position limit violations. NYMEX Rule 562 applies regardless of whether there is any intent to violate the position limit.

This settlement relates to BlueCrest Capital Management Guernsey LP’s maintenance, on behalf of our investment clients, of a long Crude Oil position in excess of the applicable spot month position limit on December 16, 2010. This settlement included a payment to NYMEX of $25,000. BlueCrest Capital Management Guernsey LP fulfilled this payment obligation on June 9, 2011; our clients did not bear any portion of this obligation or any costs related to the resolution of this matter.

7. Other Financial Industry Activities and Affiliates

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant or is an associated person thereof.

Our firm's principals, including Michael Platt and our affiliates, own our firm (including BlueCrest Capital Management LP), BlueCrest Capital Ltd., BlueCrest GP I Limited, BlueCrest GP II Limited and BlueCrest GP IV Limited, each a limited company incorporated under the laws of the Cayman Islands.

These entities act in the following roles with respect to the identified clients and investment vehicles:

- BlueCrest Capital Ltd. acts as managing general partner to BlueCrest Capital L.P.
- BlueCrest GP I Limited acts as general partner to each of:
  - BlueCrest Emerging Markets Fund L.P.
  - AllBlue L.P.
  - BlueCrest Mercantile Fund L.P.
- BlueCrest GP II Limited acts as general partner to BlueCrest Multi Strategy Credit Fund L.P.
- BlueCrest GP IV Limited acts as general partner to BlueCrest Volatility Arbitrage Fund L.P. and BlueCrest Equity Strategies Fund L.P.

Although the entities above are under ultimate common control with us, these entities have at least a majority of independent directors.

BlueCrest Capital Management Limited acts solely in its capacity as the general partner of BlueCrest Capital Management LP, a Guernsey limited partnership. Unlike a U.S. limited partnership, BlueCrest Capital Management LP does not have legal personality and therefore acts through its general partner, our firm.

The following entities, which directly or indirectly provide certain trading and trade execution and back-office services for our firm, our affiliates and our clients, are under ultimate common control with us:

- BC Capital Management Services Limited, a private limited company incorporated in England and Wales,

- BlueCrest Capital Management (Singapore) Pte. Ltd, a private company limited by shares incorporated in Singapore,

- BlueCrest Capital Management (New York) LP, a Delaware limited partnership,

- BlueCrest Capital Management (Boston) LP, a Delaware limited partnership,

- BlueCrest Capital Management (UK) LLP, an English limited liability partnership,

- BlueCrest Capital Management GP Limited, a Jersey limited company,

- BlueCrest Capital Management Guernsey LP, a Guernsey limited partnership,

- BlueCrest Capital Management Jersey Limited, a Jersey limited company, and

- Global Execution Limited, a Jersey limited company.

With respect to certain clients, our firm, acting as agent of such funds, has appointed certain advisory affiliates to provide investment management services to certain funds in our firm's place, each acting as an agent of the relevant funds. However, our firm supervises and monitors each of our affiliates and seeks to ensure that these advisory affiliates comply with our policies. Currently, BlueCrest Capital Management (New York) LP and BlueCrest Capital Management (UK) LLP provide investment management services to our U.S. clients.

BlueCrest Capital Management (New York) LP provides certain middle and back office and related services to certain other members of the BlueCrest group.

With respect to certain of our clients, we execute orders on their behalf through Global Execution Limited, which is a member of our group. Global Execution Limited is licensed by the Jersey Financial Services Commission and operates as a trading execution platform.

Although each of the entities above is under ultimate common control with us, conflicts of interest are mitigated as a result of:

- each entity being part of our business, and

- our firm being responsible for each entity's compensation.

For the strategy and other relevant information for each client that our firm or our affiliates manage, please see Item 4: Types of Clients.

Our firm acts as commodity pool operator and commodity trading adviser to the clients listed in Item 4: Types of Clients. We are a registered as a commodity pool operator and as a commodity trading advisor under the U.S. Commodity Exchange Act, as amended, with the CFTC and are a member of the U.S. National Futures Association. We have filed and maintain a claim of exemption pursuant to the CFTC regulation 4.7 in connection with acting as the commodity pool operator of our clients that are commodity pools.

Our firm owns a minority interest in Systematica Investments Limited, an investment advisory firm which is registered as an investment adviser with the SEC under CRD number 173876, and its affiliates, but we do not maintain control over or carry out the day-to-day management of Systematica Investments Limited. Further information regarding Systematica Investments Limited and its affiliates is available on Systematica Investments Limited's Form ADV.

Except with respect to Global Execution Limited, our affiliated execution broker which is not a U.S. registered broker-dealer (as disclosed above in Item 5: Method of Analysis, Investment Strategies and Risk of Loss), we do not have any arrangements with the following types of related persons that create a material conflict of interest:

- a broker-dealer, municipal securities dealer or government securities dealer or broker,
- a futures commissions merchant, commodity pool operator or commodity trading adviser,
- a banking or thrift institution,
- an accountant or accounting firm,
- a lawyer or law firm,
- an insurance company or agency,
- a pension consultant, or
- a real estate broker or dealer.

While we recommend and select unaffiliated investment advisers for our clients, we do not receive compensation directly or indirectly from unaffiliated advisers that create a material conflict of interest or have other business relationships with them that create a material conflict of interest.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has established a Code of Ethics that sets forth standards of ethical conduct for our professionals. Our employees must seek to avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of our clients as a whole.

Our code of ethics mandates that our employees will at all times:

- place our collective clients' interests ahead of the interests of the firm,
- only engage in personal investing that is in full compliance with our Code of Ethics, including the personal account dealing policy,

- abide by our market abuse policies, and
- avoid taking advantage of the employee’s position of employment by accepting investment opportunities, gifts or other gratuities from individuals seeking to conduct business with our firm, other than in accordance with our gift policy.

Additionally, our Code of Ethics provides for a range of sanctions, as deemed appropriate by our senior management, should anyone violate the Code of Ethics. These sanctions include, but are not limited to, a warning, fines, disgorgement, suspension or termination of employment.

In addition, we have established policies and procedures that address, among other things, potential conflicts of interest that might arise in the management of our clients.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We will provide a copy of our entire Code of Ethics to any prospective client, any client or any investor in our clients upon request.

We generally do not buy securities from or sell securities to our clients. However, we may engage in these transactions in certain limited circumstances. These types of transactions are known as “principal transactions.” This could potentially create a conflict of interest between our firm and a client. As a result, we have established the following policies and procedures that address these principal transactions in order to minimize any conflicts of interest:

- Our firm or our employees may not enter into a principal transaction with a client if any employee, or any person controlling, controlled by or under common control with, our firm receives compensation from any source for acting as broker for the transaction.
- Before the execution of the transaction, our firm will prepare a brief memo discussing the proposed transaction, including the proposed price, any potential commissions, the reason for the transaction and any other material information about the transaction. Our firm’s Chief Compliance Officer must approve the memo before the execution of the transaction.
- The approval must be available to the client for review, and a knowledgeable representative of our firm must be available to answer any questions about the transaction.
- The client must consent to the transaction before its execution.

In addition, our firm or our affiliates serve as the general partner and/or investment adviser to certain clients in which other clients of ours invest according to their investment strategies. For more information on the investments strategies of our clients and our relationships, please see Item 5: Method of Analysis, Investment Strategies and Risk of Loss and Item 7: Other Financial Industry Activities and Affiliates.

Finally, these entities may deal with our clients as a principal or agent as long as the transactions are completed as if they were made on normal commercial terms and negotiated on an arm's length basis.

Our firm may only undertake "agency cross transactions" (that is, transactions in which our firm, or any person controlling, controlled by, or under common control with our firm, acts as a broker both for a client and for a person on the other side of the transaction) unless certain conditions are met, including:

- The client must execute a written consent prospectively authorizing our firm to effect agency cross transactions for the client and the client must receive full written disclosure with respect to the agency cross transactions before consenting.

- Our firm must send the relevant client(s) a written confirmation at or before the completion of each agency cross transaction.

- Our firm must send to the relevant client(s), at least annually, a written disclosure statement identifying the total number of agency cross transactions during the period since the date of the last statement and the total amount of all commissions or other remuneration received or to be received by us.

- No agency cross transactions may be effected in which our firm or any person controlling, controlled by or under common control with our firm recommended the transaction to both any seller and any purchaser.

Finally, our firm may not cause one client to sell a security to another client in an agency cross transaction if any employee or any person controlling, controlled by, or under common control with our firm receives compensation from any source for acting as broker.

In the event that we cause one client to purchase an investment from another client (known as a "cross trade"), there may be a conflict of interest in how we allocate that trade. We try to ensure that any conflict of interest that we are aware of is resolved fairly. Prior to execution of a cross transaction, a person familiar with the trade will be responsible for preparing a brief memorandum setting forth the reasons why the transaction is suitable for each client involved (including differences in invested positions, investment objectives, risk tolerances, and tax situations). The officer or employee who prepared the memorandum must sign it and seek approval from our firm's Chief Compliance Officer.

Our firm's general policy is that an employee may only make a cross trade if there is cash consideration within the current market range of prices for the security, based on current sales data relating to transactions of comparable size. If no comparable sales data are available on the day in question, then the cross trade must be at a price equal to the average of the highest current independent bid and lowest current independent offer determined on the basis of reasonable inquiry. There may not be any brokerage commission, fee (except for customary transfer fees) or other remuneration in connection with any cross transaction. However, trading desks may deviate from this policy and/or formulate different procedures covering their desks, with the prior approval of our firm's Chief Compliance Officer. Our firm requires the documentation of any deviations.

Principals and employees of our firm may buy and sell for themselves securities that they also buy and sell for our clients. This could create a conflict of interest if our principals and employees receive more favorable execution prices than do our clients because our principals' and employees' trades might have driven up the market prices of target securities. However, we contain this conflict through the personal trading policy for all of our staff below.

Purpose

The activities related to personal account transactions which are prohibited are those:

- which give rise to a conflict of interest with the firm's regulatory obligations to our clients;
- which involve insider dealing (including dealing ahead of a client order), disclosing inside information other than in the proper course of the exercise of employment, market manipulation or any other behavior prohibited under applicable law, including the European Union Market Abuse Directive;
- which involve advising or procuring, other than in the proper course of employment, any other person to enter into a transaction which would be covered by the above; or
- which involve disclosure, other than in the proper course of someone's employment, of any information or opinion to another person where the person disclosing that information knows, or ought reasonably to know, that the person receiving that information is likely either to deal based on that information or to encourage another to deal.

Application

This policy applies to dealings by:

- all of our firm's personnel including all employees in all of our offices, wherever located, and their spouses, partners and dependent children or stepchildren; and by
- any person whose relationship with a member of our firm's personnel results in the member of our firm's personnel having a direct or indirect material interest in the outcome of the transaction.

These procedures do not apply to:

- transactions entered into, without consultation with our employee, through a discretionary account;

- transactions in life assurance policies;
- cash deposit accounts; or
- spot or forward foreign exchange transactions.

Permission to Deal

Our firm's personnel or their related persons must obtain approval from our compliance department before undertaking a personal account transaction in investments in relation to all types of share and bond investments and any related derivatives, including, but not limited to:

- equity securities (both publicly quoted and private, and including initial public offerings and capital raisings) and equity related derivatives including contracts for difference and
- bonds (including convertible bonds) and bond related derivatives.

As part of the approval process, our compliance department may seek approval for the transaction from the head of the relevant trading desk (or another relevant portfolio manager). We do not require our personnel to obtain this approval themselves. Approvals to deal are valid until close of business on the day following the date on which approval is given. The term "close of business" applies to the market in the country in which the individual is based. Regardless of any permission granted, no dealing may take place if, at the time of dealing, the person with the approval is in possession of material, non-public information about the relevant security.

There is a minimum holding period of one month for all personal account transactions. This holding period applies from the date of execution. A maximum of five personal account dealing requests per month are permitted.

Options and warrants on single name issuers are prohibited for purposes of personal account dealing.

Our firm's personnel may not deal in the same investment and in the same direction ahead of a client order in that investment.

Heads of trading desk should not approve any personal account transaction if, at the time the approval is sought, there is a current unexecuted order to deal in the same investment in the same direction.

Our firm's personnel may not sell an investment to or buy one from any of our clients unless our compliance department has pre-approved the transaction.

Below is a summary of the procedure for obtaining approval for personal account transactions:

- Our firm's employee must complete the online Personal Account Dealing Request which is sent to our compliance department.

- Our compliance department’s online system will send an email notice to the employee either approving or rejecting the dealing request. The employee must wait for approval before dealing.

Disclosure of Personal Account Transactions and Certification of Holdings

Our firm’s personnel must arrange for our compliance department to receive promptly a copy of the contract note/confirm for each personal account transaction within seven days of trading. While arrangements can be made to have the contract notes/confirms provided directly to our compliance department by the broker used for the transaction, responsibility for providing the information remains with the employee. Failure to provide contract notes/confirms may prevent approval of further personal account transactions.

Certification of Holdings

Our firm’s personnel are required to make initial disclosure of their holdings in all investments covered by this policy at the time they begin employment at our firm. Our firm’s personnel will also be required to certify to our compliance department, on an annual basis, details of all holdings in all investments covered by this policy.

Please see the disclosure immediately above for a description of how we generally address conflicts that arise in the sale of securities between clients.

9. Brokerage Practices

In determining which brokers, dealers and counterparties we use, and when we place portfolio transactions and negotiate commission rates, our firm generally tries to obtain the best execution for our clients’ portfolios, and we take into account the following factors:

- the size of order and difficulty of execution,
- confidentiality and/or other disclosure issues,
- the financial strength, integrity and stability of the broker,
- the firm’s risk in positioning a block of securities,
- creditworthiness of the broker,
- the quality, comprehensiveness and frequency of available research services considered to be of value, and
- the competitiveness of commission rates in comparison with other brokers satisfying our firm’s other selection criteria.

Research and Other Soft Dollar Benefits

Because we strive for all-around best execution, our firm may pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide us with investment and research information, so long as the prices are reasonable in relation to the research products and services we obtain from broker-dealers. These research products and services are often referred to as "soft dollar" benefits. The research services that broker-dealers generally provide include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistical data; and discussions with research personnel. The products and services that we generally obtain from broker-dealers include analytical tools, pricing services, on-line research, reports on particular industries and companies, market and economic surveys and analyses, recommendations as to specific securities and discussions with research personnel. The soft dollar benefits we receive do not generally have a mixed use nor do we use them for functions unrelated to making investment decisions.

Under our soft dollar arrangements, our firm or our affiliates may agree that:

- a broker will set aside a proportion of the commission earned on transactions and use such amount to discharge the cost of certain permitted services related to the execution of transactions on behalf of the relevant client and the provision of investment research received by our firm or our affiliates; or

- a broker will receive a commission in excess of the amount another broker would receive for effecting a particular transaction in recognition of execution and research services provided by the broker. However, our firm must determine that the amount of the commission is reasonable in relation to the value of the brokerage and/or research services provided by such broker for the benefit of the client.

Although we generally do not enter into soft dollar arrangements where the goods and/or services under these arrangements relate to the execution of trades on behalf of a client, our policy requires us and our affiliates to ensure that the relevant goods and/or services are:

- linked to the arranging and conclusion of a specific investment transaction (or series of related transactions); and

- provided between the point at which our firm or our affiliate makes an investment or trading decision and the point at which the investment transaction (or series of related transactions) is concluded.

Where the goods and/or services under these soft dollar arrangements relate to the provision of research, our firm or our affiliates must ensure that the relevant research:

- is capable of adding value to the investment or trading decisions by providing new insights that inform our firm or our affiliates when making such decisions about a client's portfolio;

- whatever form its output takes, represents original thought in the critical and careful consideration and assessment of new and existing facts and does not merely repeat or repackage what has been presented before;

- has intellectual rigor and does not merely state what is commonplace or self-evident; and

- involves analysis or manipulation of data to reach meaningful conclusions.

In addition, our firm will only effect a soft dollar transaction where the execution and research services received will reasonably assist us and our affiliates in the provision of our services to a client and do not, and are not likely to, compromise the ability of our firm or our affiliates to comply with their best execution obligations under Section 28(e) of the Securities Exchange Act of 1934, as amended.

We intend that our soft dollar arrangements will fall within the safe harbor afforded by Section 28(e) of the Securities Exchange Act of 1934, and our firm's Chief Compliance Officer must approve at the onboarding stage the use of a third party vendor's research product or service paid for with soft dollars.

Upon request from a client or an investor in a client, we will provide the client or investor with a statement detailing the goods and services that we have received from the client's account during the last year under our soft dollar arrangements.

The Use of Soft Dollars Can Create a Conflict of Interest

Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. If we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for our clients based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those charged by other broker-dealers.

We Use Particular Procedures to Direct Transactions in Return for Soft Dollars

We direct our clients' transactions to particular broker-dealers after weighing the applicable factors and considerations described earlier in this section.

We Allocate Soft Dollars among Clients

We allocate the soft dollar benefits to the clients that benefit from them, and if multiple clients benefit from them, we allocate these soft dollar benefits among the applicable clients and the applicable investments of each client in a fair and reasonable manner.

Referrals in Selecting or Recommending Broker-Dealers

We do not receive referrals for clients from any broker-dealers. For more information on our affiliates, please see Item 7: Other Financial Industry Activities and Affiliates.

Directed Brokerage

As our clients are all private investment vehicles managed by us, we select all broker-dealers and do not permit our clients to direct brokerage.

Aggregation of Trades – Policies and Procedures

In certain circumstances, we may combine orders on behalf of our clients if we decide to invest in the same security for more than one client. In these cases, we will allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the clients participating in the transaction. While the combining orders in this way may, over time, benefit all clients, in particular cases the average price could be less advantageous to one client than if that client had been the only participant in the transaction or had completed its transaction before the other clients.

10. Review of Accounts

Below is a description of the frequency, nature and triggering factors of the periodic reviews of each of our clients' accounts.

As a general matter, the firm allocates capital among our affiliates and such sub-investment managers allocate capital among traders and sub-strategies, in consultation with certain interested parties. Changes in the assets under management of the clients, risk appetite or performance by our different desks or traders will trigger other reviews.

Our firm has additional reviews for clients employing the following strategies:

- Fundamental Equity Strategy – clients' assets under management determine the capital allocated to these clients, and their portfolio managers, who are responsible for evaluating investment opportunities and effecting the overall investment strategies for these clients, make the investments for the clients.

- Mixed Arbitrage (Credit) Strategy – our firm allocates capital to traders for these client funds at the start of each year and reviews these allocations annually. Changes in the assets under management of the clients, risk appetite or performance by our different desks or traders will trigger other reviews.

- Quantitative Strategy – our firm's systematic trading team also manages these clients. The systematic team is organized across three functional lines: Modeling (strategy research), Implementation (technology and deployment) and Execution (day-to-day trading oversight).

Investors in our clients receive the following written reports regarding the client or clients in which they have invested and creditors of certain clients receive certain of the following written reports:

- Monthly final net asset or net value calculations in the form of a monthly statement,
- Quarterly investor circulars, and
- Annual fund financial reports.

11. Client Referrals and Other Compensation

To the extent that commissions paid to brokers are shared with third parties from which we may obtain data and research, our firm may be deemed to receive a benefit. For more information on our "soft-dollar" practices, the potential conflicts of interest and how we resolve them, please see Item 9: Brokerage Practices.

Other than any potential benefits discussed in this brochure, our firm does not, nor do any of the principals or employees of our firm, benefit from non-clients providing investment advice or other advisory services to our clients.

12. Custody

Due to (i) our access to clients and authority to instruct the administrator to deduct fees and other expenses from a client's account and (ii) services provided by our firm and our affiliates as general partners of certain of our clients, we are deemed under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, to have custody of these clients' funds.

We utilize the services of banks or other qualified custodians (as defined under Rule 206(4)-2) to hold all assets of these clients. We also endeavor to ensure that the qualified custodians maintains these funds in accounts that contain only clients' funds and securities, under the client's name or our name as agent or trustee for the clients.

While Rule 206(4)-2 generally requires an investment adviser to ensure that a qualified custodian sends account statements to clients at least quarterly, we are not subject to this requirement because all clients managed by our firm are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. In these cases, we expect to distribute audited financial statements to all investors in our clients within 120 days of the end of the fiscal year of the client, or in the case of our clients who invest in other hedge funds, within 180 days of the end of the fiscal year of the client.

13. Investment Discretion

Our firm accepts discretionary authority to manage our clients' securities accounts. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in each of our clients' private offering documents. These documents cover various matters, including:

- the types and amounts of securities of which a client's portfolio will consist,
- portfolio allocation limitations, and
- the degree of risk assumed by a client's portfolio.

Before we accept the discretionary authority inherent in managing our clients, we carefully review the investment strategies and investment programs set out in the appropriate offering documents. By completing subscription documents to acquire an interest in one of our clients, investors give us complete authority to manage their investments in accordance with the offering documents that they each received.

14. Voting Client Securities

Proxy Voting Policies

We have implemented proxy voting policies in accordance with securities laws and our legal and regulatory obligations to our clients. We strive to vote client proxies in a manner consistent with clients' best interests.

We abstain from voting when we reasonably believe that the outcome of the vote has been decided, regardless of how we may vote, or when the subject of the vote is not material to the interest of our client. Given that we invest on behalf of our clients across a wide range of markets, we generally abstain from proxy voting as a matter of policy.

We may hire independent third parties to provide certain proxy voting and record-keeping services in accordance with this policy. We will monitor the performance of these proxy voting services to ensure their compliance with our firm's policies.

Our policy requires us to maintain a record of all proxy votes cast on behalf of our clients. In addition, we may rely upon third-party service providers to maintain the records of votes cast as long as those service providers have agreed to provide a copy of the records promptly upon our request.

In the event there is a conflict of interests or potential conflict of interests in voting a proxy, our firm's Group Chief Compliance Officer will determine whether the conflict is material. If a conflict is not considered material, we may vote the relevant proxy normally and as described in this policy. If a conflict is deemed material, we will hire an impartial third party to vote the proxy on our behalf, or may use any other method our firm's Group Chief Compliance Officer deems appropriate under the circumstances and given the nature of the conflict of interest.

Our firm will provide a copy of the proxy voting policies and information regarding any proxies actually voted by our firm to any client, including any investor in a client, upon the request of the client, at no cost.

In limited situations, we may not have the authority to vote on certain clients' securities. In these cases, clients may contact us, at any time, with questions about a particular proxy solicitation.

15. Financial Information

We do not require nor do we solicit prepayment of more than $1,200 in fees per client, six months or more in advance.

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our clients. Our firm has never been the subject of a bankruptcy petition.